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GREECE-TURKEY-CYPRUS

Cypriot President Clerides' discussion with Greek Prime Minister Karamanlis yesterday failed to open the way for a resumption of the peace talks in Geneva. The two leaders continue to demand that Turkey withdraw its forces to positions held before the second round of fighting.

In a press conference last night, Greek Foreign Minister Mavros claimed that Clerides and Turkish Cypriot leader Denktash could probably resolve the problem if Denktash were not "a prisoner of the Turks." Seeing little hope for such bilateral talks, Mavros announced that the Greeks have accepted the Soviet proposal to take the Cyprus problem to the UN.

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Growing Greek concern over future military supplies has been noticed by US military representatives in Greece. Officers of the US military assistance group have found their Greek counterparts cordial and cooperative in recent days. The Greeks have been particularly anxious over procurement of naval and air force equipment.

As awareness of the long-range repercussions of a withdrawal from NATO sinks in, the Karamanlis government may begin seeking a face-saving way to reverse its decision. Domestic political problems will make this difficult, however. Andreas Papandreou reportedly is organizing for a major push to gain power after the Cyprus issue quiets down, and continued Greek participation in NATO would give him an attractive issue with which to rally popular support.

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There have been no further signs of a buildup of Greek forces for deployment to Cyprus

The US embassy in Nicosia reports that it has information that another demonstration is planned for today. The demonstration apparently will be organized by leftist leader Vassos Lyssarides to demand action on the refugee problem.

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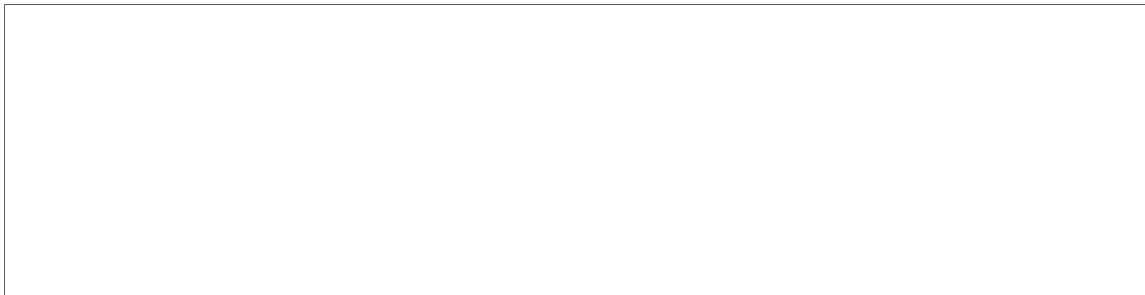
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The embassy says that Lyssarides probably cannot by himself generate much of a crowd, but that with frustrations continuing at a high level, reinforcements could come from any sector. The embassy has approached the Greek Cypriot leadership, the Greek National Guard, and the UN forces to provide security.

The effort to get peace talks going is generating considerable high-level diplomatic activity and travel. UN Secretary General Waldheim is scheduled to travel from Nicosia to Ankara on Monday for talks with Prime Minister Ecevit and Foreign Minister Gunes, and then on to Athens on Tuesday.

West German Foreign Minister Genscher is also expected in Athens within the next few days and the Pakistani foreign secretary arrived in Ankara Thursday and is expected to travel on to Athens. Both the West Germans and the Pakistanis have been mentioned as possible mediators. Additionally, Yugoslav Foreign Minister Minic reportedly will carry to Nicosia much the same message from President Tito that he had earlier conveyed to Athens and Ankara.

On the ground in Cyprus, no major cease-fire violations were reported yesterday, but Turkish forces extended their perimeter approximately two miles west in the Lefka area. The US defense attaché in Nicosia expects continued Turkish expansion toward the large Turkish enclaves at Limnitis and Kokkina on the northwestern coast.



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ISRAEL-EGYPT

For two consecutive days, an Israeli aircraft apparently has penetrated Egyptian airspace. Yesterday's penetration occurred over Egyptian territory on the east bank of the Suez Canal a few miles south of Port Said.

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Israeli planes regularly fly reconnaissance missions along the canal and have frequently made shallow penetrations of UN or Egyptian airspace. Friday's incursion, like the one on Thursday north of Suez City, may have been to monitor the large-scale military maneuvers being held by the Egyptians in the canal area.

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LATIN AMERICA - CUBA

Panama's unilateral decision to renew relations with Cuba is prompting several Latin American governments to push the Organization of American States for quick reconsideration of the Cuba sanctions policy.

The Venezuelan, Colombian, and Costa Rican governments, which on the initiative of Costa Rican Foreign Minister Vacio recently agreed to bring up the Cuban question in the OAS this fall, now believe the organization must act soon. They fear that Panama's action has increased the likelihood of further defections from the sanctions policy, which they think would undermine the inter-American system.

The three governments, for some time, have been in the forefront of those arguing that the sanctions policy has outlived its usefulness. They have, however, preferred to move on the question through OAS channels, rather than unilaterally. Colombia and Venezuela, informed beforehand of Panama's intention to act on its own and invited to join in, argued against the move and were disappointed when Panama proceeded.

Castro, for his part, would very much prefer that Latin American governments follow Panama's example rather than act through the OAS.

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The Costa Rican Foreign Minister will leave tomorrow for consultations with his Colombian and Venezuelan counterparts. Evidently no specific agreement yet exists on the

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timing or the mechanics of taking up the Cuban question in the OAS, but the governments of the three countries seem to agree emphatically that the process must begin soon. Other Latin American governments are likely to go along. It is too early to tell, however, if those OAS members favoring the revocation of sanctions--now a simple majority--will be able to muster the two-thirds majority required for such action.

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IRAQ

Disaffection seems to be increasing in Iraqi military circles over the prolonged and inconclusive war against the Kurds, now in its sixth month.

Rumors have been circulating in Baghdad's diplomatic community of arrests and executions of senior and middle-level Iraqi army and air force officers allegedly involved in coup plotting. Although the stories vary as to the conspirators' motives, a common theme that emerges is opposition to the costly Kurdish war that shows no sign of ending.

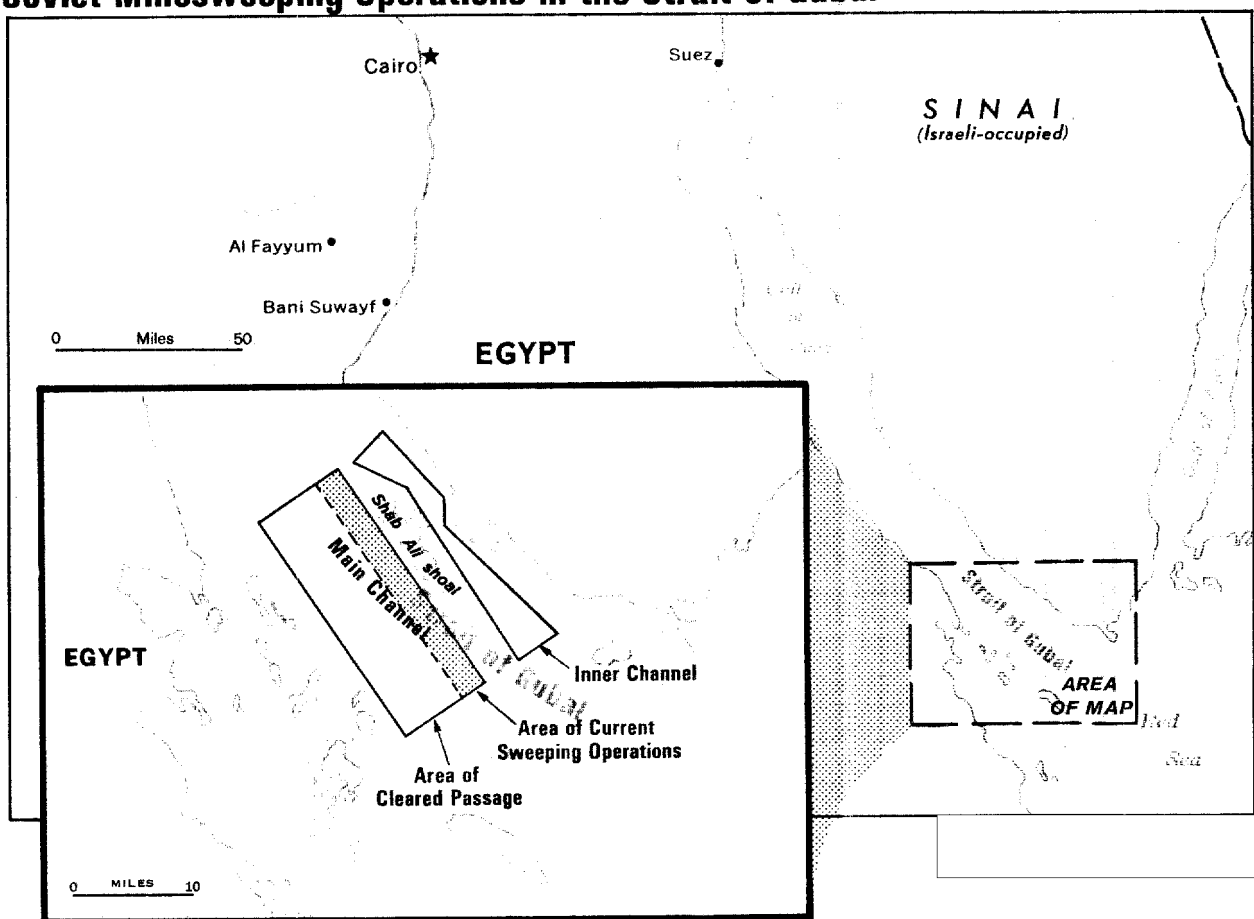
Stories of unrest are difficult to pin down in Iraq's closed society. There have been no announcements of dismissals of high-ranking officers that would substantiate the stories of plotting in the military.

It is clear, however, that government forces are taking heavy losses in both personnel and equipment. Kurdish claims of having killed 1,000 Iraqi troops during a government offensive in the past few weeks are credible in view of the repeated assaults that government units have been making on well-defended Kurdish positions in the rugged terrain of the northeast.

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Soviet Minesweeping Operations in the Strait of Gubal



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USSR-ISRAEL

Soviet minesweepers on August 21 began operations in areas of the Strait of Gubal that Israel presumably considers as under its control. No Israeli reaction has been reported thus far.

Israeli fighters recently responded to Soviet helicopters that apparently intruded into Israeli-controlled areas, and complaints were aired in the Tel Aviv press. Israel may overlook the intrusions this time, however, because clearing of this section of the strait will benefit Israeli shipping as well as that of other nations.

If good weather continues, the operations probably will be completed by September 1; bad weather had kept the minesweepers idle for eight days. Tass announced on August 16 that a passage--two nautical miles wide and entirely within Egyptian territory--had been completely cleared.

No clearing has been initiated on the inner channel situated to the east of the Shab Ali Shoal and entirely within Israeli-held territory.

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PORTUGAL - US - ARAB STATES

There are conflicting reports from Lisbon about an alleged Arab offer to lift the oil embargo and provide financial aid in return for Lisbon's refusal to renew the Azores base agreement with the US.

In a conversation with the US chargé late this week, Foreign Office Political Director Magalhaes Cruz denied the report, but acknowledged that his government had heard rumors of an impending Arab offer. Cruz speculated that these rumors might be traced to a broker representing Arab interests in Lisbon. He added that no offer had ever reached the Foreign Office or the other ministries that he had queried.

Early this month, however, the head of the Socialist Party's International Section admitted that an offer had been made. The offer came from unidentified Arab countries who offered to lift the oil embargo and grant a \$400-million loan on more favorable terms than Lisbon could get from the World Bank. The Socialist leader said that Lisbon had not solicited the deal and would not necessarily accept it. He added that his party will support renewal of the base agreement and that he did not expect the Communists to make an issue of the base negotiations.

Portugal does not wish to complicate the negotiations on renewing the base agreement which open on September 3. Portugal has made clear, however, that it expects increased US financial and technical aid in return for a new base agreement.

The US embassy in Lisbon concludes that the Portuguese probably did not fabricate the story to try to gain better terms from the US. As far as the oil embargo is concerned, it has been more of an inconvenience than a hardship. The Socialist official would not necessarily be able to speak authoritatively on whether an Arab offer was tendered to the government, although Foreign Minister Soares is himself the head of the Socialist Party.

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There is no hard evidence that the Arab states have made an offer to Portugal, although Saudi Arabia and the Arab League are rumored to have been involved in negotiations on a loan. The Saudis attach great importance to maintaining cordial relations with the US and it appears unlikely that they would risk jeopardizing these relations by attempting to influence the course of the negotiations on the Azores. The Arab League would not be a likely instrument for such action because the League only acts when it has the unanimous agreement of all members.

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ALGERIA

In a speech this week to a Palestinian Youth Congress meeting in Algiers, President Boumediene reaffirmed his country's support of the Palestinian cause and rejected a role for Jordan in Middle East peace talks.

Boumediene, who has been a leading supporter of the Palestinians, told his audience that the Palestinian question must remain the major cause of the Arab world and that there will be no peace unless a solution for it is found. He pledged Algeria's full support for the resolution passed at the Arab summit in Algiers last November which recognized the Palestine Liberation Organization as the sole legitimate representative of the Palestinian people.

Boumediene stressed the need for continued Arab solidarity based on unity among the Egyptian, Syrian, and Palestinian peoples. He added that solidarity depended upon an honest agreement to help the Palestinians without "backstage tricks," an apparent reference to Egypt's agreement to allow Jordan to negotiate for the return of the West Bank.

The Algerian leader then leveled a direct attack against Jordan's King Husayn. He declared the King's hands were "stained with the blood of innocent Palestinians" as a result of Jordan's moves in September 1970 against the fedayeen in Jordan. Boumediene labeled the King an onlooker in the October war and said that Husayn had no role to play in the current negotiations for the return of Arab lands from Israel. He warned that a leading role for Husayn at this time would complicate the search for peace, rather than facilitate it. In his view, the Palestinian problem should be resolved by Egypt, Syria, the Palestinians, and Israel, without a "fifth party."

Boumediene questioned the purpose of Husayn's recent talks in Washington and speculated that it might be part of a move to avoid the establishment of a Palestinian homeland. He suggested the US might ultimately

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tell the Arab states that their occupied territories would be returned, but that Israel has refused to have a Palestinian authority established on the West Bank and would only return it to Jordan. As a result, the Palestinian problem would cease to be part of an overall settlement and would be left for the Arabs to resolve themselves.

Boumediene's stand will further complicate President Sadat's efforts to accommodate both Palestinian and Jordanian approaches to negotiations. Indeed, Boumediene's position appears even less compromising than that of PLO leader Arafat and will strengthen the hand of those Palestinians who oppose him.

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VIETNAM

Vietnamese Communist propaganda has taken on a more militant cast following President Nixon's resignation.

A basic theme is that the transition of power in Washington, compounded by US economic difficulties, affords Hanoi important new political and military opportunities. A Viet Cong broadcast of August 12, for example, claimed that President Nixon's resignation was a hard blow for "the Thieu clique" and that the people of the South should seize the opportunity "created by the enemy's crisis" to deal it "grave setbacks."

The emphasis on new opportunities in South Vietnam repeats a line first laid down by Party Chief Le Duan in 1970, but not stressed since the cease-fire: that Hanoi must be prepared to move rapidly when the time is ripe to take advantage of international as well as internal developments. The new line may also be intended to remind China and the Soviet Union of their obligation to help Hanoi take advantage of the more favorable prospects in the South.

Moreover, for the first time since the signing of the Paris accords, Hanoi has started again to call for the overthrow of President Thieu. This contrasts with the earlier line that the Thieu government would be replaced in due course through negotiations involving all the parties in the South. Hanoi's open call for Thieu's ouster appeared first in authoritative articles in North Vietnam's Communist Party and army newspapers following President Nixon's resignation, and has since been repeated almost verbatim by the Viet Cong's Liberation Radio.

The Communists are not prepared to rule out political means to secure Thieu's ouster. Indeed, there have been reports that the Hanoi leadership is anxious for a new round of talks with the US. It is evident, however, that Hanoi has become increasingly disenchanted with its political prospects in the South since the cease-fire. It may have decided to try to force Thieu, and the US, into negotiations through military means.

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At the least, the shifts in Hanoi's propaganda suggest a continuation of the relatively heavy military pressure on South Vietnamese forces. It could also mean, however, that the Communist high command has decided on a more open-ended policy of gradually stepped up attacks intended to test the firmness of US support and the effectiveness of government forces. Viet Cong propaganda appeared to be outlining such a scenario recently by calling for the South Vietnamese people to "develop intensively and widely their offensive impetus" and by praising the "...tactic of launching attacks while building...forces and developing...revolutionary strength." Such sustained pressure could ultimately culminate in a large-scale offensive, although the evidence at hand indicates that such a campaign is unlikely for several months.

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LAOS

The Lao Communists have proposed that the long-delayed exchange of prisoners begin on September 12.

The Communists surfaced their proposal earlier this week at a meeting of the Joint Central Commission to Implement the Agreement, the coalition organization responsible for arranging repatriation. Non-Communist members of the Commission have concurred in the broad outlines of the Communist plan, which provides for repatriation at four sites throughout the country. The details of the exchanges, however, are subject to further discussion.

No mention has been made of the nationalities of the prisoners to be released, but an unknown number of Laotian prisoners probably will be among the first groups set free. An estimated 170 North Vietnamese prisoners are believed to be held by the non-Communist side. The Pathet Lao are estimated to hold some 640 Thai prisoners and one American, civilian contract pilot Emmet Kay.

The chances for Kay's early release are slim. The Pathet Lao have consistently maintained that they do not consider Kay a prisoner of war because his capture last May occurred after the cease-fire agreement was signed. There are indications that the Communists may try to link Kay's release to political concessions by Washington. The heavy propaganda play in Pathet Lao media calling for a cessation of US aerial reconnaissance over Laos might point to the type of concession Sam Neua is looking for.

The Pathet Lao initiative on prisoner exchanges comes as a surprise. The Communists had insisted that other "higher priority" issues--such as the demarcation of boundary lines between the Pathet Lao and non-Communist zones--be resolved by the Joint Commission before the prisoner problem could be addressed. The demarcation exercise is nowhere near completion, however. The protocol specified that 27 boundary markers were to be planted near "hot spots" or points of potential conflict, but so far only four stakes have been established.

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AUSTRALIA

The Labor government's continued failure to come to grips with Australia's economic disarray has severely damaged its popularity. Recent opinion polls show a sharp decline in Labor's public support.

A marked increase in unemployment is now all the more serious because of the unchecked rise in the cost of living. Strikes so far this year have been running at a level four times above last year, and those in the petroleum industry have brought the fuel crisis to its most critical state ever. Fuel has had to be diverted from military reserves to meet agricultural needs.

Any inclination on the part of Prime Minister Whitlam to take strong action has been blocked by differences within the government over what action to take. Whitlam has convened the House of Representatives into special session to consider two pieces of legislation, but they are largely irrelevant to the current situation

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there is no early solution to the Prime Minister's problems, and the government's continued inability to provide strong leadership can only have an adverse effect on its long-term political prospects.

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SOUTH KOREA

President Pak yesterday ordered the immediate lifting of two of the four "emergency decrees" that have provided the legal basis for repression of dissent in South Korea since early this year.

One emergency measure, proclaimed in January, had banned all forms of political dissent; another, issued in April, zeroed in on alleged student plotting to overthrow the government.

The termination of the two emergency measures was accompanied by a presidential statement, moderate in tone, which concluded in an appeal for unity and "national consensus" to meet the continuing threat from the North. Pak's action coming so soon after the shooting of his wife surprised even his close associates.

Whether Pak's move marks the beginning of a real strategy of conciliation toward his domestic critics remains to be seen. It is possible that the death of his wife, known for tolerance and understanding, caused Pak to draw back from his hard-line approach toward his domestic opponents. His actions may, however, only represent a tactic intended to disarm foreign critics, limit the appeal of his hard-core opponents and their policies, and generally ease domestic tensions. Pak acted only a week or two before the universities in Seoul will open for the fall semester.

Early reaction to the lifting of the two emergency measures has been mixed. The newly elected leader of the main opposition party, a strong critic of Pak, has welcomed the action, but called for further moves to open up the political scene. Other politicians have called for the immediate release of the nearly 200 persons convicted in recent months under the various decrees.

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It seems likely that Pak's latest move will at least temporarily ease many of the domestic and foreign pressures that have afflicted him and his government in recent months. But it is equally likely that his hard-core domestic opponents--the student, intellectual, and Christian reformers--will continue to harass his government in any way open to them. Pak, of course, retains ample means of containing and suppressing their activities under provisions of the constitutional system he personally constructed in 1972. [REDACTED]

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